



# ***Audit Committee Newsletter***

*Second Quarter 2006*

## ***New Oversight Body Established***

DON has combined the duties of the Financial Improvement Program (FIP) Advisory Board and the Senior Assessment Team (SAT) to create a new oversight body – the FIP SAT. Chaired by the Director of the Office of Financial Operations, the FIP SAT will be primarily responsible for overseeing implementation of Appendix A of OMB Circular A-123, *Internal Controls over Financial Reporting*, as well as providing oversight and advice to the FIP. The new responsibility entails reviewing and approving the annual assessment of financial reporting controls prior to its inclusion in the DON Statement of Assurance. The FIP SAT will continue to provide direction to the FIP executive and monitor plans of action and milestones associated with resolution of internal control weaknesses related to accounting and financial reporting issues.

## ***Proposed Changes to the FIAR Plan Schedule***

The Financial Improvement and Audit Readiness (FIAR) Directorate has proposed **not** to formally submit the March iteration of the FIAR plan to Congress. Since the interim plan was submitted to Congress in January, the FIAR Directorate did not see the value in submitting a revised plan three months later. Instead, the FIAR Directorate and Components will continue to refine the focus area plans and expand the scope of the FIAR plan to include other areas of the financial statements and other DoD initiatives. The next formal FIAR plan is due to Congress in September 2006.

## ***FIP Focus Area Update***

Reviews of focus area programs are underway. The 2<sup>nd</sup> quarter schedule is as follows:

- 16 Feb – Environmental Liabilities, Weapons Systems, NAVSEA
- 21 Feb – Environmental Liabilities, DERP Active/BRAC, NAVFAC
- 24 Feb – Fund Balance With Treasury, DFAS
- 01 Mar – Marine Corps FIP, Marine Corps
- 03 Mar – Real Property, NAVFAC
- TBD – Military Equipment

Status will be provided to the Audit Committee at the 15 March meeting.

## ***OUSD(C) Releases “Managers’ Internal Control Program Procedures”***

In January, the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) released DoD Instruction 5010.40, *Managers’ Internal Control Program Procedures*. The DoD instruction reflects renewed emphasis on senior

leadership’s involvement in internal controls. It provides a description of the “FMFIA Over Financial Reporting Process,” pursuant to Appendix A of OMB Circular A-123. DON is currently revising SECNAVINST 5200.35D to reflect requirements of the new DoD instruction.

## ***Making Headway in Performance Management***

In January and February, over 70 DON senior financial managers convened in Washington, DC for two-day performance management workshops hosted by the ASN(FM&C). The workshops provided DON senior financial managers with an overview of strategic initiatives and detailed information on the Financial Efficiency Index (FEI) – a metric that shows the level of efficiency at which appropriated funds are managed throughout their lifecycle. Other workshop topics included best practices in performance management and facilitating change. A web-based tutorial on performance management and the FEI will be available to the DON Financial Management Community in Spring 2006.

## ***Marine Corps Lessons-Learned Meeting***

In February, the Office of Financial Operations (FMO) hosted a lessons learned meeting as a follow-on to the series of planning sessions held earlier in fiscal year (FY) 2006 to assist Headquarters Marine Corps (HQMC) in producing 1<sup>st</sup> quarter FY 2006 financial statements. The Marine Corps financial statements represent the full spectrum of Marine Corps operations and are unique in that they are subsidiary statements to the DON financial statements. Representatives at the follow-on meeting included HQMC, DFAS Kansas City, DFAS Cleveland, and Defense Departmental Reporting System (DDRS) Program Management Office. Among the topics discussed were financial reporting issues, future process improvements, DDRS enhancements, and changes to the trading partner process for shared Navy-Marine Corps appropriations. It is expected that HQMC will assert audit readiness some time in fiscal year 2007. Stay tuned for more information on HQMC’s progress in financial statement preparation.

## ***In The News ...***

OMB reported in February that the federal government eliminated \$7.8 billion, or 17 percent, of improper payments in fiscal year 2005. DoD achieved “yellow,” meaning that it has implemented sound improper payments measurement and corrective action plans. To learn more about the results, see OMB publication, *Improving the Accuracy and Integrity of Federal Payments* at [www.whitehouse.gov/omb/](http://www.whitehouse.gov/omb/).